

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 957 - SB 1236

March 8, 2017

SUMMARY OF BILL: Redefines a “qualifying job” under the Community Resurgence Job Tax Credit Act of 2015 for the purposes of franchise and excise (F&E) tax credits to mean a full-time job with wages at least 65 percent of the average occupational wage for the labor workforce development area in which the job is created, rather than a full-time job with wages equal to or greater than the state’s average occupational wage.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$50,000/FY17-18
Exceeds \$100,000/FY18-19 and Subsequent Years

Forgone State Revenue – Exceeds \$50,000/FY17-18
Exceeds \$100,000/FY18-19 and Subsequent Years

Assumptions:

- The Community Resurgence Job Tax Credit Act of 2015 authorized a job tax credit against F&E tax liability for a qualified business in the amount of \$2,500 for each qualifying job created in a high-poverty area, provided that at least 10 such jobs are created.
- Revising the wage requirement for a qualifying job under the Act, as proposed by this bill, is estimated to increase the number of jobs for which the F&E tax credit will be claimed.
- The number of existing companies that will qualify for such tax credits that are currently in the process of, or planning on, creating at least 10 qualified jobs in high-poverty areas, but would not qualify for the tax credits under current law, is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered a decrease in revenue.
- The number of new companies that will locate in a high-poverty area and qualify for the tax credits by creating at least 10 qualified jobs as a direct result of this bill, which would not be created under current law, is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered forgone revenue.
- Based on information provided by the Department of Revenue, it is estimated that at least 40 new qualifying jobs would be created under current law, and at least 40 new

qualifying jobs will be created as a direct result of this bill that would not be created in the absence of the proposed legislation.

- As a result, both the recurring decrease in state revenue and the recurring forgone state revenue are each estimated to exceed \$100,000 (\$2,500 x 40).
- Due to the effective date of July 1, 2017, the first-year impact for FY17-18 is estimated to be 50 percent of the first full-year impact.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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